

OFFICE OF THRIFT SUPERVISION

APPLICATION FOR TRUST POWERS

PAPERWORK REDUCTION ACT STATEMENT

The Office of Thrift Supervision will use this information to evaluate a Federal savings association's proposed trust and asset management activities in light of statutory and regulatory criteria.

Collection of the information is mandatory for Federal savings associations (including Federal savings banks) as defined in 12 CFR Section 561.43.

PUBLIC REPORTING BURDEN FOR THIS COLLECTION OF INFORMATION IS ESTIMATED TO AVERAGE 9 HOURS PER RESPONSE, INCLUDING THE TIME FOR REVIEWING INSTRUCTIONS, SEARCHING EXISTING DATA SOURCES, GATHERING AND MAINTAINING THE DATA NEEDED, AND COMPLETING AND REVIEWING THE COLLECTION OF INFORMATION. SEND COMMENTS REGARDING THIS BURDEN ESTIMATE OR ANY OTHER ASPECT OF THIS COLLECTION OF INFORMATION, INCLUDING SUGGESTIONS FOR REDUCING THIS BURDEN, TO THE OFFICE OF EXAMINATION POLICY, OFFICE OF THRIFT SUPERVISION, 1700 G STREET, N.W., WASHINGTON, DC 20552; AND TO THE OFFICE OF MANAGEMENT AND BUDGET, PAPERWORK REDUCTION PROJECT (1550-0037), WASHINGTON, DC 20503.

An organization or a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

OFFICE OF THRIFT SUPERVISION
APPLICATION FOR TRUST POWERS

Instructions to Applicant

An "Application For Trust Powers" must be completed by all Federal savings associations, as defined in 12 U.S.C. §§ 5 and 1464 of the Home Owners' Loan Act (HOLA), seeking authorization to engage in trust and asset management activities, pursuant to 12 U.S.C. § 1464(n) of the HOLA and 12 C.F.R. Part 550, either directly or through investment in an operating subsidiary, as defined in 12 C.F.R. § 559.2, or through a service corporation owned 50% or more by you. The trust powers application format is designed to meet the basic informational requirements of the Office of Thrift Supervision (OTS) for evaluation of your proposed trust and asset management activities in light of appropriate statutory and regulatory criteria.

To ensure that the OTS has sufficient facts to make a sound decision, you must provide complete responses to each item listed in Sections I through VI of this form, regardless of the type of services proposed by the application. Several sections of the application are designed for detachment and incorporated with other information filed with the Regional Director. If appropriate include additional information that would clarify or support your request to engage in trust and asset management activities. The Regional Director also may request you to provide additional information in connection with the trust powers application.

Refer to 12 C.F.R. Parts 516 and 550 for the appropriate filing procedures. All questions concerning OTS procedures for processing trust powers applications should be directed to the appropriate Regional Office.

The OTS views the exercise of trust powers primarily as your management decision. The OTS will generally grant permission to exercise trust powers if you can adequately demonstrate that: 1) you are operating your other activities in a safe and sound manner; 2) the proposed trust and asset management activities comply with applicable laws and regulations; 3) you have retained qualified trust management to properly supervise the exercise of the proposed trust powers; 4) your directors are qualified to ensure proper administration of trust and asset management activities; and 5) you have developed a reasonable trust operating plan, including the identification of your target market and its trust and asset management needs. If approval is granted, you should provide written notice to the OTS within ten days after the commencement of the trust and asset management activities. Additionally, if you do not commence the trust and asset management activities within 18 months from the date of approval, your approval authority may expire.

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TYPE OF TRUST POWERS FOR WHICH YOU ARE APPLYING <i>(Check Two)</i>		
<input type="checkbox"/> FULL TRUST POWERS Or <input type="checkbox"/> LIMITED TRUST POWERS (Complete Schedule Below)	<input type="checkbox"/> TRUST POWERS EXCLUSIVELY Or <input type="checkbox"/> IN ADDITION TO EXISTING ACTIVITIES	
Schedule of Limited Trust Powers for which you are Applying <i>(Check all applied for)</i>		
Personal Trust Powers		
<input type="checkbox"/> Executor and Administrator <input type="checkbox"/> Trustee <input type="checkbox"/> Guardian	<input type="checkbox"/> Conservator <input type="checkbox"/> Investment Advisor <input type="checkbox"/> Investment Management	<input type="checkbox"/> Agent <input type="checkbox"/> Other <i>(Specify)</i>
Employee Benefit Trust Powers		
<input type="checkbox"/> Trustee <input type="checkbox"/> Custodian	<input type="checkbox"/> Recordkeeper <input type="checkbox"/> Investment Advisor	<input type="checkbox"/> Investment Management <input type="checkbox"/> Other <i>(Specify)</i>
Corporate Trust Powers		
<input type="checkbox"/> Trustee <input type="checkbox"/> Transfer Agent <input type="checkbox"/> Paying Agent	<input type="checkbox"/> Escrow Agent <input type="checkbox"/> Agent	<input type="checkbox"/> Other <i>(Specify)</i>
<p style="text-align: center;">PERSON (S) TO WHOM INQUIRIES REGARDING THIS APPLICATION MAY BE DIRECTED <i>(Provide name, title, mailing address, and telephone number)</i></p>		
SIGNATURE AND TITLE OF CEO OR DESIGNEE		DATE

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APPLICATION FOR TRUST POWERS**

APPLICANT (Name and Home office location)

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**Section II
General Information**

A. General

- 1) Submit an organizational chart of the overall organization including a description of the lines of business of each entity, and a chart for the proposed trust and asset management activities.
- 2) Provide information on your major insurance coverage (Fidelity, excess employee dishonesty bond, other). Also, discuss any contemplated changes in this coverage as a result of offering these services, and provide documentation demonstrating the adequacy of this insurance coverage as required by 12 CFR § 550.190.
- 3) Describe any litigation pending against you, including the names of plaintiffs, docket numbers, and the nature and amount of claims. Also, provide details on any government investigations that were performed during the past ten years.
- 4) Discuss your current financial condition and performance, and explain how these justify your expansion into this new business line. Discuss your capital structure relative to the risks posed by offering trust and asset management services, particularly if you will have any discretionary trust assets under management.
- 5) For years where the trust and asset management profitability projections indicate a net operating loss from offering trust services, discuss the extent of the adverse impact of those losses on the financial condition of the Applicant.
- 6) Describe the institution's or affiliates current or proposed internet site, if applicable.

B. Legal Requirements

- 1) Provide a copy of the board of director's resolution approving the exercise of trust powers by the Association, subordinate organization, or affiliate. Refer to exhibit 1 for the appropriate format.
- 2) Submit a certification stating that your financial condition, including net worth and statutory reserves, satisfies the requirements of state law for state-chartered trust companies. The certification should also detail whether you are required to maintain any deposits of securities, including specific calculations of the amount of capital and deposits. Further, provide a legal opinion of independent counsel stating that the proposed trust powers are authorized for state-chartered trust companies by the law of each state where offices will offer trust and asset management services, pursuant to 12 U.S.C. § 5(n)(1) of the HOLA.
- 3) List the trust powers available under relevant state or local law to state-chartered trust companies. Describe any restrictions under such laws, on the trust and asset management activities to be conducted by you (e.g., special bonding for escrow agents). Include appropriate citations and copies of cited State laws and regulations.

C. Management

- 1) Describe staffing for each office and the duties of various employees. If dual officers and employees are utilized explain the allocation of time and costs such as salaries and overhead. State whether dual employees have any conflicts of interest arising from their dual roles.
- 2) Describe the type of training that will be provided to trust officers and employees to ensure that the trust department's policies are consistently applied.
- 3) State whether you plan to exercise investment discretion for any trust accounts. If so, describe how the investment decisions will be made and the experience of the individuals making the investment decisions. Describe the source of investment research information utilized, and the process used to ensure that investment decisions are supported by adequate research and documentation. State whether you are registered as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. § 80b-1, et. seq.). If not, describe any exemption that you believe applies.
- 4) Discuss the relevant trust and investment experiences of your existing Board of Directors. Describe how the board will manage and supervise the trust powers. Discuss any changes to your Board's composition that will occur because of the proposed trust and asset management activities. Discuss Board committee and management structure and staffing, specifically naming officers and describing their responsibilities.
- 5) If you intend to use another organization to manage the administration of its trust accounts and/or to manage trust investments, please provide:
 - (a) The name, address and phone number of each such organization;
 - (b) The organization's relationship (if any) to the applicant and its directors and officers;
 - (c) The type of service(s) to be provided;
 - (d) The basis for selecting each such organization;
 - (e) Indicate projected annual cost, and how you intend to monitor the outside organization's performance and compliance with the scope and terms of fiduciary responsibilities and the written agreement. Provide a copy of the agreement.

Please note: This item does not cover EDP servicing or custody of trust assets by correspondent institutions.

- 6) Identify who your legal counsel is for trust and asset management matters, and describe their experience in this area.

D. Policies and Procedures

- 1) Describe the types of records, including data processing, to be maintained for the proposed Trust Department and the related system of internal controls. Certify whether records will be kept in compliance with 12 CFR §§ 550.410, 550.420, and 550.430. Indicate whether a third party will be used, the extent of services to be provided, and the name of the service provider.

- 2) Submit written policies and procedures for ensuring compliance with 12 CFR § 550.140 including, policies for brokerage placement practices, investments (including any list of approved investments), conflicts of interest, use of insider information, and collective investment funds. Discuss how you will ensure adoption, communication, monitoring, periodic review and updating as needed.
- 3) Describe the audit program to be used for the proposed Trust Department and explain how it meets audit requirements of 12 CFR § 550.470. Report the name, position, and experience (in both financial institution and trust auditing) of any internal auditor, and the name and location of external auditors. Furthermore, provide a written commitment to maintain a majority of outside directors on the board of directors' trust and trust audit committees, in order to properly discharge your fiduciary responsibilities in this regard.
- 4) Describe the institution's risk management and compliance program.

E. Affiliated Transactions

- 1) If the trust activities result in any transactions between you and any affiliate, describe the transactions and discuss how the arrangements will comply with 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c, and 371c-1), 12 U.S.C. §§ 5 and 1468 of the HOLA, and 12 CFR §§ 563.41 and 563.42.
- 2) If you or your affiliates have proprietary mutual funds, describe the procedures to ensure compliance with 12 CFR § 563.42(b). In addition, indicate whether other affiliate products will be offered by affiliates, and describe those products.
- 3) Discuss whether any discretionary trust assets will be invested in proprietary mutual funds or other products offered or provided by your affiliate. Also, indicate whether any services will be provided by your affiliates. Discuss the fees the trust institution will receive as a result of these investment activities.

F. Marketing

- 1) Fully describe the process your or your affiliates' customer will follow to open a trust account. This should include a discussion of the anticipated role of any marketing or sales representatives or your affiliates, including if affiliates simply facilitate the application process.
- 2) Describe any circumstances under which trust and asset management services would be available only to customers of affiliates.
- 3) Describe any circumstances under which customers of the savings association would be required to obtain services of an affiliate.
- 4) State whether any of your or your affiliates', employees will receive direct or indirect compensation for referring customers. If compensation for referrals will be paid by you or your affiliates state the amounts and name the recipients.
- 5) Describe the fees you or your affiliates will receive from third-party mutual funds that will be offered as an investment choice for employee benefit plans and/or participants.

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**Section III
Management of Proposed Trust Powers
Trust, Audit and Investment Committees**

Submit the following detailed information for **EACH** member of the Trust, Audit and Investment Committees and indicate whether the committee is at the board of director or lower level:

Name of Committee:

Name of Committee Member:

Position with Institution, Holding Company or Affiliate:

Number of Years with Association, Holding Company or Affiliate (if applicable):

Principal Occupation:

Discuss the committee member's qualifications to fulfill the committee assignment:

List the name, location, individual's position, and primary type(s) of business of all companies in which the individual is a director, officer, or substantial shareholder. List all partnerships and whether the individual is a general or limited partner. Indicate whether any of these business interests involve entities that do business with you or compete with you in any manner:

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**Section IV
Management of Proposed Trust Powers
Trust Officers and Managers**

Submit the following detailed information for **EACH** Trust Officer and Manager:

Name of Trust Officer or Manager:

Present Employer:

Present Position and Years Employed:

Present Duties:

Proposed Position:

Proposed Duties:

Proposed Location:

Proposed Duality of Employment:

Describe any specialized trust and investment training, and any prior employment history related to trust or investment activities:

List the name, location, individual's position, and primary type(s) of business of all companies in which the individual is a director, officer, or substantial shareholder. List all partnerships and whether the individual is a general or limited partner:

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**Section IV
Management of Proposed Trust Powers
Trust Officers and Managers (Continued)**

Describe any specialized trust and/or investment training, and any prior employment history of a trust and/or investment nature for this proposed officer:

List the name, location, individual's position, and primary type(s) of business of all companies in which the individual is a director, officer, or substantial shareholder, and whether the member of the Trust Committee is a general or limited partner. Also indicate whether these business interests involve companies or partnerships or other entities that either do business of any type with you or compete with you in any manner:

List any professional licenses or similar certifications that the individual holds such as attorney, certified public accountant, teaching certificate, etc:

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**Section V
Trust and Asset Management Business Plan**

Submit a copy of the projected trust and asset management business plan. The plan should, at a minimum, address the following issues, supported by appropriate schedules:

1. Specify trust and asset management services to be offered and fees to be charged for each service.
2. Discuss how you intend to establish your trust and asset management customer base. Indicate each location where trust and asset management services will be offered, and how such services will be marketed. You should demonstrate the need for trust and asset management services in your proposed market area and specify the degree to which business may be drawn from outside this area.
3. Provide a realistic assessment of risk in light of economic and competitive conditions in the market area, the availability of trained staff, the proposed level and expertise of management oversight, and the general information provided in Sections I through IV of the application.
4. Discuss whether the trust powers will be utilized to establish a profit center or to accommodate existing customers. If applicable, estimate the time to achieve profitable operating results and discuss any additional factors that may influence profitability.
5. Discuss the budget process, capital resources, and management succession.
6. Discuss any plans to acquire existing business through an acquisition transaction or changes in your current method of meeting existing customers' trust and asset management needs.
7. Using the attached schedule format provide the requested information regarding number of trust accounts, volume of assets under management, and income and expenses. Discuss the underlying assumptions to support this information.

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Section V
Trust and Asset Management Business Plan (Continued)

**Estimated income and expense from trust and asset management operations
For the first three years**

DESCRIPTION	YEAR ONE	YEAR TWO	YEAR THREE
Fee Income (From Schedule)			
Other Income (Specify)			
Total Income			
Personnel Costs			
Occupancy Expense			
Stationery and Supplies			
Legal Fees			
Investment Costs			
EDP Costs			
Other Expenses (Specify)			
Total Expenses			
Net Operating Income (Loss)			
Credit for Deposits (Optional)			
Income Earned from Own Association Deposits			
Net Profit (Loss)			

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Section V
Trust and Asset Management Business Plan (Continued)

Estimated account information from trust and asset management operations
For the first three years

Trust Activity by Type of Account	Year One			Year Two			Year Three		
	Amount (000)	Accts (#)	Fee Inc	Amount (000)	Accts (#)	Fee Inc	Amount (000)	Accts (#)	Fee Inc
DISCRETIONARY ACCOUNTS:									
Estates									
Personal Trust Accounts									
Employee Benefit Accounts									
Corporate Trust Accounts									
Investment Management Agency Account									
Other (Specify)									
Total Discretionary Accounts									
NON-DISCRETIONARY ACCOUNTS									
Estates									
Personal Trust Accounts									
Employee Benefit Accounts									
Investment Management Agency Account									
Other (Specify)									
Total Non-Discretionary Accounts									
CORPORATE ACCOUNTS									
Agencies									
Trusts									

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**Section VI
Statement of Principles
Of
Trust Department Management**

The minimum requirements for sound practices in the operation of a Trust Department, and as safeguards for the protection of depositors, beneficiaries, creditors, stockholders, and the public, should include:

1. Operations of the Trust Department separate and apart from your other departments, with trust assets separated from your other assets and with the assets of each trust account separated from the assets of every other trust account; and
2. Maintenance of a separate set of books and records for the Trust Department in sufficient detail to properly show all Trust Department activities.

Your board of directors should, by proper resolution, include in its minutes the following actions:

1. Designation of a qualified and competent officer responsible for the administration of the Trust Department. You should also define this officer's duties and responsibilities.
2. Designation of a board of directors' Trust Committee consisting of at least three directors, a majority of which are considered to be independent. The Trust Committee should be responsible for, and supervise the activities of, the Trust Department. The Trust Committee should:
 - A. Meet at least once every month;
 - B. Review the assets of each trust account at least once during each 12 month period;
 - C. Approve all investments and discretionary distributions of trust assets;
 - D. Approve the opening of all new trust accounts;
 - E. Approve the closing of trust accounts;
 - F. Keep full minutes of all its actions, including its actions on matters (A) through (E);
 - G. Make periodic reports to the board of its actions.
3. Provide competent legal counsel to advise the Trust Officers and the Trust Committee on legal matters pertaining to the administration of the Trust Department.
4. Provide for joint custody of trust assets under at least two or more officers and employees.
5. Receive the report of the Trust Committee and record its actions thereon in its minutes.

6. Make, or cause to be made, an annual audit of the Trust Department at least once during each 12 month period and, where possible and practical, provide for internal controls over the Trust Department, and
7. Review the examination reports of the Trust Department by Supervisory Agencies and record its actions thereon in its minutes.

Exhibit 1

RESOLUTION AND CERTIFICATION OF BOARD OF DIRECTORS

This application is made pursuant to authorization and direction of the Board of Directors of this institution, as evidenced by the following resolution adopted by said Board at a meeting duly called and held on the _____ day of _____, 20____.

RESOLVED, That an application be made by this institution for the written consent of the Office of Thrift Supervision to exercise full/limited trust powers (strike full or limited). (If limited, specify those powers requested.

FURTHER RESOLVED, That the Statement of Principles of Trust Department Management is here by adopted and that the exercise of any trust powers granted will be in conformance with such principles, except where they may conflict with any State or Federal law or regulation.

FURTHER RESOLVED, That the President or Vice President and the Secretary of the association are hereby authorized and directed, on behalf of this institution, to execute and submit such application to the Office of Thrift Supervision.

(SEAL)

Association Name

Location

ATTEST:

BY:

President or Vice President

Secretary

Date